

STATE BOARD TO REVIEW CLAIMS

MEETING OF SEPTEMBER 12, 1997
Las Vegas, Nevada

ITEM: V.A.

SUBJECT: Resolution to Adopt a Policy Manual for the
Reimbursement of Remediation Equipment

BACKGROUND: The Petroleum Fund has reimbursed owners/operators of Petroleum Fund eligible sites for the purchase of remediation equipment. As a condition of reimbursement for the equipment, the Petroleum Fund requires the owner/operator to enter into an agreement (Disposition Agreement). The proposed Remediation Equipment Policy Manual stipulates the terms that the owner/operator agrees to as a condition of reimbursement by the Fund for the equipment costs.

NDEP monitors and tracks the purchase, inventory, transfer, and final disposition of equipment. The Remediation Equipment Policy Manual describes NDEP's management of the equipment program.

RECOMMENDATION: Adoption of Resolution No. 97-011 as proposed.

STATE BOARD TO REVIEW CLAIMS

RESOLUTION NO. 97-011

Resolution to Adopt Policy Regarding
Major Capital Remediation Equipment

Whereas, the State Board to Review Claims (hereinafter referred to as the Board) Finds:

1. Claims submitted to the Nevada Division of Environmental Protection (NDEP) may contain requests for reimbursement for the cost of Capital remediation equipment.
2. NDEP has, in the past, made recommendations to the Board as to which equipment costs are reimbursable. Such recommendations have been made on a case-by-case basis. NDEP has never formally presented guidelines of eligible and ineligible capital equipment costs to the Board that can be used by the NDEP to formulate its recommendations.
3. Attachment "A", which is made a part of this Resolution, contains the proposed Major Capital Remediation Equipment Policy Manual for the State of Nevada Petroleum Fund. The document describes the terms for reimbursement and the relationship between the Petroleum Fund and an owner/operator purchaser of capital remediation equipment.
4. NRS 590.830(1) requires the Board to, "...review each claim presented and authorize payment to the extent warranted by the facts of the case." Adoption of the policy manual contained in Attachment "A" would allow for a consistent approach by NDEP in its recommendations to the Board, and would still allow the Board to individually consider each reimbursement request.

THEREFORE BE IT RESOLVED:

That the State Board to Review Claims directs the NDEP to administer reimbursement requests in the following manner:

1. That the Board adopts the "State of Nevada Petroleum Fund Equipment Policy Manual", as contained in Attachment "A" of this resolution.
2. That a determination be made of claimants applying for reimbursement from the State of Nevada Petroleum Fund as to the eligibility of the equipment costs claimed.
3. That the staff of the NDEP apply the guidelines contained in attachment "A" on all outstanding unreviewed reimbursement requests.

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4. That the Board reserves the right to adjust each staff recommendation based upon the facts of each case, pursuant to NRS 590.830(1).

I, John Haycock, Chairman, do hereby certify that the foregoing is a full, true, and correct copy of a Resolution adopted by the Nevada State Board to Review Claims on September 12, 1997.

John Haycock, Chairman
State Board to Review Claims

ATTACHMENT "A"

**NEVADA STATE PETROLEUM FUND
MAJOR CAPITAL REMEDIATION EQUIPMENT POLICY MANUAL**

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DEFINITIONS

- * BUYER: Person or entity electing to take title to EQUIPMENT. For Petroleum Fund purposes, the remediation site owner/operator of record unless otherwise informed.
- * MAJOR CAPITAL EQUIPMENT (hereinafter referred to as "EQUIPMENT"): a transportable unit or system initially costing more than \$3000 which is being depreciated over a three year life span. (Resolution 95-009 adopted June 20, 1995. See Appendix 3).
- * OWNER/OPERATOR: The person/entity responsible for the remediation; the State of Nevada Petroleum Fund reimbursement claimant; often referred to as the "Owner".
- * SALE: Transfer of legal ownership of equipment from a Petroleum Fund owner/operator to another person/entity.
- * SELLER: Legal owner of EQUIPMENT electing to give-up title to and possession of EQUIPMENT. Usually the owner/operator.
- * TRANSFER: Physical relocation of equipment from one Petroleum Fund site to another Petroleum Fund site or storage facility. May also include sale of the equipment.

CONDITIONS OF OWNERSHIP

- * The EQUIPMENT is owned by the buyer who purchases and takes title to it.
- * The owner agrees to submit an updated "EQUIPMENT ACCOUNTABILITY" form (See Appendix 1) with each reimbursement claim package submitted to the Petroleum Fund regardless if the EQUIPMENT has been taken off-line or transferred to another site.
- * The owner agrees to notify the Petroleum Fund within 7 working days if the EQUIPMENT is taken out of remediation service or is moved from the site. The notification shall contain the following information:
 - a) EQUIPMENT ID# and description.

- b) Date put in service and date taken out of service at this site. (This information is used to calculate the depreciated value of the equipment.)
 - c) Street address where EQUIPMENT is being stored.
- * As a condition of reimbursement, whether partial or total, the owner of purchased EQUIPMENT agrees to allow the Nevada State Petroleum Fund to reassign (transfer) the EQUIPMENT once the owner/operator's site no longer requires it pursuant to Resolution 95-009 adopted June 20, 1995 (See Appendix 3). If the EQUIPMENT is transferred, the seller's Petroleum Fund account will be credited the EQUIPMENT value pursuant to Resolution 96-035 adopted December 18, 1996 (See Appendix 5).
- * As a condition of reimbursement, whether partial or total, the owner of purchased EQUIPMENT agrees to the terms of ownership outlined in this manual.

EQUIPMENT PURCHASE OR TRANSFER

In order to purchase NEW EQUIPMENT for which reimbursement is going to be requested from the State of Nevada Petroleum Fund, or transfer EXISTING EQUIPMENT, the following procedures must be followed. (These procedures apply to both NEW EQUIPMENT purchases and purchases/transfers from Petroleum Fund EQUIPMENT owners.)

1. For NEW EQUIPMENT, the owner/operator makes a written request as outlined in (3) below to the Nevada Petroleum Fund to purchase the EQUIPMENT. The following conditions must be satisfied:
 - a) The EQUIPMENT must be compatible with the conditions and contaminant type at the site of intended use.
 - b) The EQUIPMENT must be suitable for future utilization at other potential State of Nevada Petroleum Fund sites.
 - c) For concurrence to purchase a new piece of EQUIPMENT with a net delivered cost over \$50,000 (Note #1) where a piece of EQUIPMENT suitable for the intended use is in the Petroleum Fund EQUIPMENT inventory but is presently in-use at another Fund eligible remediation site, the owner/operator must submit a copy of a request, denied by NDEP, to defer the remediation until that equipment becomes

available.

2. For transfer of existing EQUIPMENT inventoried by the Petroleum Fund, a verbal request to transfer may be made to the Petroleum Fund staff. This will result in a hold being placed on any available EQUIPMENT for 5 working days. This verbal request must then be followed by a written request, as described in (3), within 5 working days.
3. The written request to purchase new or transfer existing equipment must contain the following information:
 - a) A description of the EQUIPMENT and its intended use.
 - b) Written evidence of regulatory concurrence of the remediation workplan specifying the utilization of the EQUIPMENT being requested.
 - c) For new purchases, three bids must have been solicited and documented for the EQUIPMENT. The bids must include the appropriate sales or use tax, freight cost if any, and the delivered price.
 - d) For new purchases, written concurrence must be obtained from the Nevada Division of Environmental Protection (NDEP) for any request to purchase the EQUIPMENT from a supplier other than the low bid supplier.
 - e) For transfers, a description of the EQUIPMENT and its present location, the original cost of the EQUIPMENT, the date put in service and the date taken out of service at the current remediation site, and a forecasted in-use date at the new site.
4. Based upon a review of the written request, the NDEP will issue a concurrence or non-concurrence "to purchase" letter to the site owner/operator. (Failure to obtain an EQUIPMENT purchase concurrence letter from NDEP will result in a recommendation for denial of reimbursement requested for the EQUIPMENT to the Board to Review Claims.)
5. As part of the transfer process, the seller will deliver to the buyer in useable form all manuals and other records associated with the EQUIPMENT, keeping a copy for him/herself.

6. For equipment transfer, reasonable charges associated with moving the EQUIPMENT from the seller's location to the buyer's site are the responsibility of the buyer. These costs are reimbursable by the Petroleum Fund.
7. Credits and debits to the buyers' and sellers' State of Nevada Petroleum Fund accounts arising from the transfer of EQUIPMENT are administered according to Resolution 96-035 adopted December 18, 1996 (See Appendix 5). It is not necessary to file a claim for reimbursement of the depreciated equipment value for equipment transfers.

NOTE #1. Relative to a piece of remediation equipment costing more than \$50,000, deferring the remediation until such time as an existing piece of Petroleum Fund inventoried equipment becomes available is seen as cost effective under the following conditions:

- a) The remediation deferral will result in no increase in the cost of the remediation other than the additional expenses associated with monitoring the plume during the deferral period.
- b) These estimated additional monitoring expenses, in total, amount to less than 20% of the equipment cost.
- c) The concurrence to defer the remediation is based upon a characterized, non-migratory plume with no impact to groundwater as determined by the Certified Environmental Manager for the owner/operator.
- d) The deferral period shall not be longer than that allowed by the regulatory case officer, with the equipment forecasted to become available within the first four months of the deferral period.

OBTAINING REIMBURSEMENT FROM THE PETROLEUM FUND

A claim for EQUIPMENT reimbursement is submitted as a normal reimbursement request. The claim will be processed according to the procedures governing claim submittals. In order to obtain a favorable staff recommendation to the Board to Review Claims for reimbursement for an EQUIPMENT purchase, the following documents must be included in the claim package:

An original dated equipment accountability form contained in the Claim Request Package describing the EQUIPMENT and signed by the owner/operator.

A copy of the supplier's invoice for the EQUIPMENT, amended to show any applicable discounts, and indicating the net final cost.

Evidence that the EQUIPMENT has been delivered to the remediation site.

A copy of the purchase concurrence letter issued by the NDEP-Petroleum Fund STAFF.

Where applicable, a copy of a Maintenance Agreement cover letter specifying the dates of coverage.

Other documents as required for Petroleum Fund claim submissions. (e.g., bid documents, etc.)

Pursuant to Resolution 96-004 adopted February 29, 1996 (See Appendix 4), the following guidelines are applicable to EQUIPMENT related reimbursements:

- * NDEP **will** recommend reimbursement for no more than the lowest bid amount, pursuant to NAC 590.760 (4)(e) unless adequate justification is provided.
- * NDEP **will not** recommend reimbursement for any site related costs associated with:

Damage or loss caused by weather.

Vandalism of EQUIPMENT.

Accidental damage or work related accident.

Activity that is otherwise part of monthly operation & maintenance contract.

Costs incurred as a result of damage caused by the equipment.

Costs of repeating a previously contracted service where the original service performed did not fully correct the problem contracted for (eg, restart).

EQUIPMENT lease exceeds purchase price.

Insurance or bond purchase (i.e.; Equipment insurance).

Items which have **not** been delivered (e.g., EQUIPMENT).

Rental of land or storage space.

Markup on any bid item or contractor cost over \$3,000.

Markup on remediation EQUIPMENT rental charges.

INVENTORY

Petroleum Fund EQUIPMENT is inventoried in the tracking system "TRKR". The information contained in a claim submitted for reimbursement for the EQUIPMENT is put into "TRKR". "TRKR" assigns a unique identification number to the EQUIPMENT. "TRKR" maintains pertinent information about the EQUIPMENT such as equipment description, current location, status of use, date put in service, initial cost, and the present depreciated value.

"TRKR" also tracks the relocation of EQUIPMENT from one Petroleum Fund site to the next.

- * An updated listing of available EQUIPMENT will be made available as a handout at each Petroleum Fund Board meeting.

DEPRECIATION

EQUIPMENT is depreciated on a straight line basis to a salvage value of 10% of the initial cost, or \$500, whichever occurs first. Presently, all classes of EQUIPMENT depreciate to the salvage value over a 36 month period.

Only the time the EQUIPMENT is actually **in-service** is used in the calculating the depreciation.

EXAMPLE CALCULATION OF DEPRECIATION

Out-of-service date: September 15, 1995
In-service date: January 1, 1993
Months in use: 32.5
Purchase price: \$ 50,500.00
Salvage value: (\$ 5,050.00) (10% of purchase price)
Depreciable value: \$ 45,450.00 (Purchase price less salvage value)

For assets with a life of three years (36 months), the sum-of-the-years' digits is 3+2+1=6.

First year depreciation, where x is months used:
 $\$ 45,450.00 * 3/6 * x/12$
 $\$ 45,450.00 * 3/6 * 12/12 = \$ 22,725.00$

Second year depreciation, where x is months used:
 $\$ 45,450.00 * 2/6 * x/12$

$$\text{\$ } 45,450.00 * 2/6 * 12/12 = \text{\$ } 15,150.00$$

Third year depreciation, where x is months used:

$$\text{\$ } 45,450.00 * 1/6 * x/12$$

$$\text{\$ } 45,450.00 * 1/6 * 8.5/12 = \text{\$ } 5,365.63$$

$$\text{Purchase price} - \text{Depreciation} = \text{Asset Value}$$

or

$$\text{\$ } 50,500.00 - \text{\$ } 43,240.63 = \text{\$ } 7,259.37$$

MAINTENANCE

The owner is responsible for and shall ensure that the EQUIPMENT is inspected, serviced and repaired as required to ensure its continued fitness for use. (Resolution 95-009 adopted June 20, 1995. See Appendix 3). If recommended by the manufacturer, the owner should execute an annual (or other applicable time interval) maintenance contract to service and maintain the EQUIPMENT. If the cost exceeds \$3,000 for the term, this service shall be procured by the bidding process.

Prior to transfer of the EQUIPMENT, the owner must ensure the EQUIPMENT meets performance specifications and is suitable for use at another remediation site. The owner should exercise the manufacturer's warranty/guarantee to make repairs to the EQUIPMENT as required. If the warranty has expired, a determination shall be made by the CEM as to the cost effectiveness of performing further repairs to the EQUIPMENT. If warranted, the repairs should be performed and a claim for the cost of repairs and parts should be submitted to the Petroleum Fund by the current owner/operator.

OWNER'S REQUIRED MAINTENANCE ITEMS

- * The owner will obtain from the manufacturer and adhere to an "Equipment Operations Manual" which will specify the required maintenance schedule and the calibration frequency for the EQUIPMENT and its components.
- * The owner will expedite downtime repairs and other repairs to ensure continuing operation within 24 hours of the EQUIPMENT being down (holidays, weekends excluded) through an approved maintenance company.
- * The owner will require the maintenance company to maintain an on-site log of all maintenance performed, all downtime, and will send copies of the records to NDEP if requested.

STORAGE

- * When the EQUIPMENT is taken out of service, it can remain onsite at no cost to the Fund for a period not to exceed 24 months, and the owner will exercise due care and diligence to protect the EQUIPMENT. (Resolution 95-009 adopted June 20, 1995. See Appendix 3).
- * If, as a convenience to the owner, the EQUIPMENT is moved offsite within 24 months after the EQUIPMENT is taken out of service, the owner is responsible for costs associated with moving and storing the EQUIPMENT offsite. These costs are **not** Petroleum Fund reimbursable.
- * Following 24 months of storage by the site owner/operator, the Petroleum Fund is responsible for either the moving and storage of the EQUIPMENT and any moving or storage charges, or for allowing the owner/operator to dispose of the EQUIPMENT.

FINAL DISPOSITION

The final disposition of EQUIPMENT is outlined in Resolution 95-009 adopted June 20, 1995.

- * Major EQUIPMENT is not to be "sold" or "scrapped" unless prior approval is obtained from NTEP, pursuant to Resolution 95-009 (See Appendix 3).